

#### **Affidavit**

I, Peter Noel Murray of 193 Morayfield Road, Morayfield, Queensland 4506, Australia, being duly sworn, deposes and says:

1. I am the inventor of the invention entitled "An Accounting System" which is described and claimed in United States Patent Application Serial No. 10/519,149 filed on 26 June 2003.
2. I hold a Bachelor of Business degree and have spent forty years working in the accountancy profession. In the last twenty-five years, I have been operating and managing my own accounting practice which serves micro and small businesses.
3. Off-the-shelf business accounting software has been available for many years. Quickbooks and MYOB are two popular brands for such software. To operate this type of software, it must be installed on a computer system. If the computer system is a network of computers, it must be installed on each computer.
4. Before the installed business accounting software can be used for capturing business financial transaction records and other accounting records of a business user, the software must be configured so that the captured records would comply with standard accounting practices and the taxation laws of the country where the business activities are carried out. In my system, a new client chart of account for each new client module is automatically generated by the administration module based on the entity type and the trading type of the new client, and the information about the new accounts. The configuration data are typically stored in a file and the accounting software must locate the configuration file and use the configuration data therein for initialisation purposes when it is first opened. The accounting software will then operate in accordance with the settings in the configuration data. Specialised accounting and taxation knowledge and experience are required to configure the installed accounting software so that it will operate in compliance with accounting practices and taxation laws.
5. Taxation laws and generally accepted accounting principles are complex and not very well understood by the untrained and inexperienced. Successful processing therefore needs smart people or smart technology.
6. In this age of off-the-shelf accounting software, I have noted that many unskilled business users are processing their financial transactions. But, they are unknowingly creating many errors. For example, insurance costs have a combination of taxed and non taxed elements which are often processed erroneously. Off-the-shelf accounting software requires the user to configure it to set up the chart of accounts and set the codes for allocating the consumption tax and where applicable,

other appropriate taxes. Those users who have little understanding of taxation laws and generally accepted accounting principles make many errors during this process.

7. The consumption tax codes available within traditional systems are taxed or not taxed only and the codes apply to the whole of the transaction. This creates errors if the transaction has multiple taxation applications and if the compliant features of the transaction are not satisfied.

Some examples of such non-compliant features are:

- documentation is not compliant;
- compliant support documents are not available but compliance thresholds are satisfied; and
- client business activity invokes optional or different taxation rates or application.

8. The errors that occur are due in the main to a lack of specialist knowledge.

9. In early 2000s, I began to search for a solution for a computerised business accounting system which would reduce the need for specialist processing labour by building knowledge into the software and by changing the system methodology.

10. A conventional computerised accounting system is a single module requiring all input and reporting activities within that module. In my system, I split the process into three independent but connected modules based on expertise - the administration module, the client module(s) and the advisor module(s). The administration module is expert in the software and it sets the descriptions and codes utilised to activate algorithms during processing, as well as maintaining unique identification for each of the client modules. The client module(s) is expert in the client business and processes the business activities. The advisor module(s) is expert in taxation laws and accounting practices and it oversees the client modules which it serves and use the data provided by the client modules for subsequent processing, and prepares expert reports.

11. Knowledge is built into my business accounting software for each individual client module at the administration module. Each client module is configured at the administration module before installation on a client computer. The client modules are maintained with requests from the advisor module to the administration module which actions the request s and forwards the changes to the relevant client modules which routinely send data to the advisor module.

12. In my system, little or no understanding of accounting practices is required for processing at each client module as it uses descriptions the user can readily identify and through activation of specific questionnaires pertinent to the transaction. My system reacts to the answers for the specific questionnaires by processing algorithms to establish conditions of compliance under tax laws and allocating the transaction accordingly. Transaction data gathered and stored at the client module are transferred to the associated advisor module for expert reporting action.

13. To maximise processing efficiency, I have provided features which would substantially reduce manual input of data. These involve a means for communicating common data between client modules to allow automatic input of that data.
14. To enable communication of data between client modules, each client module is set up as a supplier or a customer or both a supplier and a customer. Suppliers are allocated a supplier customer ID and the supplier client module ID; and each product is allocated a supplier ID and supplier product ID; and each customer is allocated a customer client module ID.
15. My system creates a purchase order for a product ordered through a customer client module. The purchase order incorporates the supplier client ID and supplier client product ID and the customer client ID and the customer client product ID. The order is then transferred to a messaging system associated with the administration module and from there to the supplier client module where it is loaded into the supplier's software as a sales order. The sales order is processed generating a delivery docket and/or invoice which is transferred to a messaging system associated with the administration module and from there to the customer client module and downloaded into the customer's client module. After delivery of the goods the count of product received is entered and an automatic comparison between purchase order and product received and invoiced product is activated generating, when necessary, discrepancy reports and credit note requests. The supplier invoice holds all the information regarding the consumption tax implications of the supplier product and the client module holds all the information regarding the taxation and accounting applications for the client product and the software will activate algorithms to allocate data automatically.
16. When payment is raised in settlement of an invoice the customer client module generates a remittance detailing the documents (invoices, credit notes, etc) to which the payment has been applied. The remittance is transferred to the messaging system associated with the administration module and from there to the supplier client module where it is loaded into the supplier's client module as a remittance advice and automatically allocated to the listed documents.
17. Messages between client modules are communicated through the messaging system associated with the administration module. The message contains ID's pertaining to both customer client module and supplier client module and therefore the transaction can be processed at the supplier client module (using supplier client module ID's) or the customer client module (using customer client module ID's).
18. My computerised accounting system is novel and is not an obvious solution to those familiar with accounting activity and accounting software. It does not follow industry trends. It is very different to Brown which is a means for transferring processed data from one entity to another to be

input into an existing computerised accounting system and which relies, among other things, on common standardised ID.

19. Contemporary practices within the accounting software industry point to a trend towards changes to the delivery of the software, in particular the provision of online software-as-a-service, not towards changes in processing methodology.

20. The unique areas of difference between my accounting system and other computerised accounting systems include:

- The separation of the accounting process into three independent but connected areas of expertise - the admin module, the client modules and the advisor modules. The admin module is expert in the software and sets the descriptions and codes utilised to activate algorithms during processing, as well as maintaining unique identification for each of the client modules. The client modules are expert in the client business and process the business activities. The advisor modules are expert in taxation laws and accounting, and they oversee the client modules and prepare expert reports. My system avoids the need for a specialist knowledgeable person to configure the accounting software and to process transactions.)
- The use of questionnaires (within the client module transaction entry) to activate algorithms, depending on the response to the question, for the purpose of determining firstly, the consumption tax compliance status of the transaction and secondly, the separation of the transaction entry amount into the appropriate allocations to satisfy legal compliance and accounting principles. Before applying tax liability options it is necessary to establish the compliance status of the transaction. Other computerised accounting software ignores the requirements of legal compliance and therefore, in itself, cannot fully satisfy accounting principles or accurate consumption tax reporting.
- The business to business process provides the ability to communicate data between customers and suppliers and automate the input of that data without requiring the use of common standardised ID. In my system messages regarding purchase orders between a client supplier module and a client customer module are communicated through a messaging system associated with the administration module. The messages contain ID's pertaining to both customer client module and supplier client module and therefore the transactions can be processed at the supplier client unit (using supplier client unit ID's) or the customer client unit (using customer client unit ID's).)

21. The Official Action dated 6 August 2009 rejects claims 24 to 45 as being unpatentable over Brown (5,875,435) in view of Harris et al. (5,517,406).

22. The Brown patent teaches an automated accounting system. In principle, Brown's invention is a system for conveying a processed transaction to an entity where it can be transferred into the entity's accounting system without further processing. Data transfer may require additional common language software.
23. The core of Brown's invention is the use of common standardized codes and multiple subsidiary ledgers. Neither of them is used in my system. The system taught in the Brown patent is not an accounting system per se. It is a means for conveying processed accounting data to be later transferred into the clients accounting system. The received data are processed by using off-the-shelf accounting software as described in column 3 lines 27 to 40 in Brown. This software must be configured manually to set up a chart of accounts for a new user. The Brown system is an adjunct to a conventional accounting system. My system is a novel full accounting system incorporating document transfers between trading partners to be loaded directly into the accounting system.
24. Brown does not seek to validate tax compliance. My system seeks to validate tax compliance.
25. By contrast my invention is a new accounting system with features providing an increased processing efficiency by enabling non specialists to correctly process transactions, and to avoid double input handling when a document (e.g. purchase order, invoice, remittance advice) is transferred between trading partners as a source document for processing into the accounting system.
26. The Harris et al. Patent teaches a method and apparatus for data verification and position reporting in an automated trade transaction processing system. The 'trade transaction' referred to by Harris is an acquisition or redemption of a mutual fund share or similar investment security. The apparatus and methodology are designed to rapidly produce reports in relation to the trading transactions in a day to be available before trading commences the next day.
27. The Harris et al. apparatus and method are limited to a single category of transactions (investment security) which in itself is not recognised as a commercial activity. As such the processing and reporting is not generally accepted as an accounting system.
28. Harris deals only with the buying and selling of securities in a closed (securities) market, the reporting of quantity movements and valuations based on current share values. It does not consider the normal factors of allocation within a generally accepted accounting system.
29. Data verification for Harris et al. is based on fixed parameters which allow / disallow preferential tax treatment for pension fund members. In my system, compliance validation caters for fixed and variable rules dependant on both the transaction and the client status and a mixture of rules within a single transaction, e.g. insurance expense contains elements that have different consumption tax obligations.

30. Harris et al. does not deal with a client processing data or document transfers between clients. The apparatus and method of Harris et al. report solely on investments and cannot produce generally accepted business financial reports.

31. By contrast, my invention is a new generally accepted accounting system designed to increase processing efficiency by enabling non specialists to correctly process transactions and to avoid double input handling when a document (e.g. purchase order, invoice, remittance advice) is transferred between trading partners as a source document for processing into the accounting system.

I declare that all statements made herein of my own knowledge are true and that all statements made on information and belief are believed to be true. I further declare that these statements were made with the knowledge that wilful false statements and the like so made are punishable by fine or imprisonment, or both, under Section 1001 of Title 18 of the United States Code, and that such wilful false statements may jeopardise the validity of the above-referenced application or any patent issued thereon.

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Peter Noel Murray

Sworn and subscribed to before me this 17<sup>th</sup> day of November, 2009.



Notary Public PETER CLOWES SMITH  
NOTARY PUBLIC  
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Name:

